



FEDERAL TAX CREDIT FOR PROPANE ALTERNATIVE MOTOR VEHICLES

The Alternative Motor Vehicle Credit, enacted by the federal Energy Policy Act of 2005, provides four separate tax credits for energy-efficient vehicles. One of these, the Qualified Alternative Fuel Motor Vehicle (QAFMV) credit, provides a credit for qualified vehicles powered by an alternative fuel, including propane. The credit for QAFMV's may be as much 50-80 percent of the incremental cost of the alternative fuel system. The credit applies to vehicles placed in service between January 1, 2006, and December 31, 2010.

1. What vehicles qualify?

The credit applies to motor vehicles that are manufactured primarily for use on public streets, roads, and highways, have at least four wheels and are used predominantly in the United States.

2. Who claims the credit?

The original owner, or in the case of a converted vehicle, the first person to place it into service after the conversion.

For leased vehicles, the lessor claims the credit.

For tax-exempt entities, the person who sold the vehicle to the tax-exempt person or entity may file for the credit.

3. Where is a listing of propane vehicles that qualify for the credit?

The IRS is developing a list of all the eligible propane systems and which vehicles they can be installed on to qualify for the credit. The list is posted at www.irs.gov/businesses/article/0,,id=175456,00.html.

4. How much is the credit?

The IRS list states the maximum amount of the credit for each qualified propane vehicle. Go to www.irs.gov/businesses/article/0,,id=175456,00.html.

5. What IRS form is used to claim the credit?

Form 8910. Business purchasers take the credit as part of the General Business Credit. Personal users take the credit on Form 1040. You can download these forms at www.irs.gov.

6. What if I don't owe enough in taxes to equal the credit?

A taxpayer can only claim the credit up to the amount of taxes owed. The taxpayer cannot claim the credit unless the taxpayer's regular tax liability exceeds the taxpayer's Alternative Minimum Tax (AMT) liability.

7. What about depreciation?

The depreciable basis of the vehicle must be reduced by the amount of the credit.

For more information about the propane Alternative Motor Vehicle Tax Credit, contact Heather Ball, Railroad Commission of Texas, at (512) 463-7359 or e-mail heather.ball@rrc.state.tx.us.



RAILROAD COMMISSION OF TEXAS

Web site: www.propane.tx.gov • Phone: (800) 64-CLEAR